



Department of Justice

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JUSTICE DEPARTMENT CHARGES TWO MICHIGAN COMPANIES AND THREE EXECUTIVES WITH RIGGING TOOL CONTRACT BIDS TO GENERAL MOTORS

WASHINGTON, D.C. -- Two Michigan machine tool companies and three top executives have been charged with rigging bids for tooling contracts on automotive projects to General Motors Corporation, the Department of Justice announced today. Of those charged, one company and two executives have agreed to plead guilty and pay a total of \$1.16 million in criminal fines.

In a two-count indictment, filed March 29, 2000, in U.S. District Court in Detroit and unsealed today, a federal grand jury charged Sauger Industries Inc., a machine tool company located in Troy, Michigan, and its president, John A. Baker, with conspiring to suppress and eliminate competition by allocating contracts for tooling on automotive projects to General Motors. Sauger Industries and Baker were also charged with conspiring to commit mail fraud and money laundering. The conspiracy took place from 1989 until at least April 1995.

On August 31, 2000 and unsealed today, the Department charged Theodore Sawchuk, the former president of SA-GO Industries Inc., a now defunct tooling company in Fraser, Michigan, with conspiring to suppress and eliminate competition by allocating contracts for tooling on automotive projects to General Motors from 1989 until at least April 1995. The Department filed a separate, but related, criminal case today against Motorama Engineering Inc., a tooling company located in Farmington, Michigan, with the same charge.

The Department today also separately charged Frederick L. Watson, Jr., the president of Motorama Engineering, with mail fraud in connection with his participation in the conspiracy. Motorama Engineering, Watson, and Sawchuk have agreed to plead guilty to the charges against them, and have agreed to pay fines of \$1.1 million, \$40,000, and \$20,000 respectively. Watson and Sawchuk also are subject to jail terms to be determined by the Court at sentencing. All three defendants have agreed to pay restitution to General Motors.

“These conspirators denied General Motors the benefits of competition in its award of tooling contracts,” said A. Douglas Melamed, Acting Assistant Attorney General in charge of the Antitrust Division. “The Antitrust Division will vigorously prosecute corporations and business executives who violate the antitrust laws through such bid rigging.”

According to the charges, the participants carried out the bid-rigging conspiracy by arranging for the conspirators to be the only vendors allowed to bid on certain tooling contracts, designating which conspirators would be the winning bidder, and having the conspirators that were not designated as winners submit intentionally high and noncompetitive bids. Sauger Industries and Baker were also charged with conspiring to commit mail fraud and money laundering by using the U.S. Postal Service to conduct a series of financial transactions, knowing the property involved represented proceeds of the illegal activity. Watson was also charged with using the U.S. Postal Service to further the bid-rigging conspiracy.

The charges announced today resulted from an ongoing investigation conducted jointly by the Antitrust Division’s Cleveland Field Office and the Organized Crime Strike Force Unit of the U.S. Attorney’s Office in Detroit, with assistance from the Detroit office of the Federal Bureau of Investigation and the Internal Revenue Service, Criminal Investigation Division.

Sauger Industries, Motorama Engineering, Baker, and Sawchuk are charged with violating Section 1 of the Sherman Act, which carries a maximum fine of \$10 million for corporations, and a maximum penalty of three years imprisonment and a \$350,000 fine for individuals.

Watson is charged with mail fraud in violation of 18 U.S.C. § 1341. Sauger Industries and Baker are charged with conspiracy to commit mail fraud and money laundering in violation of 18 U.S.C. § 371. The maximum penalty for each of these offenses is a fine of \$500,000 for corporations, and five years in prison and a fine of \$250,000 for individuals.

The maximum fine for both individuals and corporations for all of the charged offenses may be increased to twice the pecuniary gain derived from the crime, or twice the pecuniary loss suffered by the victims of the crime, whichever is greatest.

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